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ABSTRACT

During the 1993-94 school year, New York implemented major reforms in school finance. This paper describes the proposed 1994-95 school funding system, with a focus on the role of basic aid and changes from the previous year. The first section describes the components and accompanying formulas for the basic aid program and then highlights the major categorical programs. At first glance, New York's education funding system appears equitable; however, closer scrutiny reveals serious defects in its infrastructure. A conclusion is that the reformed finance system has created more problems with regard to equity and efficiency for students and taxpayers than it has solved. First, the already complex system has been made more complex to administer and assess. Second, the "reformed" system preserves some of the most serious defects of the former funding system, such as the property tax cap (capped at 117% of the state average), basic aid in the form of a flat grant, and the "hold harmless" provisions that guarantee a school district the same amount of aid from year to year regardless of qualification. Finally, there remains an overabundance of categorical aid programs with meager funding. Seven tables are included. Appendices contain statistics on supplemental support aid and high tax aid for the 1992-93 school year. (LMI)

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THE STATE OF NEW YORK SCHOOL FINANCE 1994: THE EFFICIENCY AND EQUITY OF THE 'REFORMED' FUNDING SYSTEM

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Introduction

In the 1993-94 school year, New York set into place what was hailed as a major reform in school finance. The goal, loosely defined, was to increase the "progressivity" of the funding system (Description of 1994-95 New York state executive budget recommendations for elementary and secondary education, 1994, 1). The proposed 1994-95 school funding system continues largely unchanged the reforms of the previous year. This paper describes the proposed 1994-95 finance system with particular attention given to the role of basic aid, noting changes from the previous year where applicable. The final sections analyze the funding system's potential to achieve greater efficiency and equity for New York's students and taxpayers and make policy recommendations.

State Aid to Education in New York

State aid to elementary and secondary education in New York is distributed through a seven part basic aid program and forty categorical programs. This section of the paper first describes the components and accompanying formulas for the basic aid program and then summarizes and highlights the major categorical programs.

Basic Aid

Basic aid is comprised of seven components: 1) operating aid; 2) flat grant; 3) growth aid; 4) extraordinary needs aid; 5) tax equalization aid; 6) tax effort aid; and 7) transition adjustment aid. (See Table 1 for a comparison of basic aid for school years 1992-93, 1993-94, and 1994-95.)

Operating Aid and Flat Grants. Operating aid, the largest single component of basic aid, is calculated by utilizing a modified percentage equalizing formula with the remaining aid programs acting as add-ons or enhancements. Excluded from operating aid are the following: capital outlay; debt service; food services; tuition payments to other school districts; and aid to Boards of Cooperative Educational Services (BOCES). In addition, transportation is excluded because it is funded by a categorical program. Operating aid is based on the full value of taxable real property in a school district and the adjusted gross income of school district residents, referred to in the formula calculation as the "combined wealth ratio."

Unlike a true percentage equalizing aid program, operating aid in New York has both a floor and a ceiling. Every school district, regardless of wealth, will receive a minimum of $400 per pupil; this floor is referred to as the flat grant. In addition a ceiling of $3,790 per pupil is proposed with a provision for additional aid based on the district's approved operating expenditure up to a maximum of $8,000. Per pupil operating aid is the product of the operating aid ceiling of $3,790 and the "operating aid ratio,"

where the operating aid ratio reflects the state's share of local school district operating expenditures. For 1994-95, school districts may select among four operating aid ratios as follows:

$$OAR_1 = 1.33 - (CWR_i \times 1.50) \quad (1)$$
$$OAR_2 = 1.00 - (CWR_i \times 0.64) \quad (2)$$
$$OAR_3 = 0.78 - (CWR_i \times 0.39) \quad (3)$$
$$OAR_4 = 0.51 - (CWR_i \times 0.22) \quad (4)$$

The combined wealth ratio is calculated as follows:

$$CWR_i = .5 \left(\frac{FV_i/TWPU_i}{\$299,500}\right) + .5 \left(\frac{AGI_i/TWPU_i}{\$76,600}\right) \quad (5)$$

where

FV_i = Full value of real property in school district i[1]
$TWPU_i$ = Total wealth pupil units in school district i
AGI_i = Adjusted gross income of residents in school district i
\$299,500 = State average $FV_i/TWPU_i$
\$76,600 = State average $AGI_i/TWPU_i$

Full value of real property in a school district, for the purposes of calculating operating aid, is capped at 117% of the state average, or \$299,500. Special needs pupils are weighted at 1.25 in calculating operating aid.

Growth Aid. Growth aid represents an adjustment to operating aid for school districts experiencing increases in enrollment exceeding 50 pupils and greater than one percent of the previous year's enrollment. It is the product of the percentage of growth in average daily attendance from the previous year and per pupil operating aid. Together operating and growth aid represent

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[1]Note that full value may be computed one of two ways: 1) 1992 full value; or 2) 117% of the sum of one half 1990 and 1991 full values.

approximately 86% of the total dollars distributed through basic aid, or $1.87 billion.

Extraordinary Needs Aid. Extraordinary Needs aid was added to basic aid calculations in 1993-1994, replacing Supplemental Support aid in part, to provide additional resources to school districts with at-risk students where "at-risk" is defined in terms of three factors: 1) poverty or low academic achievement; 2) limited English proficiency; and 3) sparsity. (See Appendix A for a description and calculation of Supplemental Support aid.) The percentage of elementary students receiving free or reduced price lunches serves as a proxy for poverty. Where such a count is not available, low academic achievement is substituted. Low academic achievement is established by calculation of the percentage of students scoring below the statewide reference point on reading and mathematics tests administered at grades three and six. Sparsity is established by calculating the ratio of student enrollment to square miles in a school district.

Extraordinary Needs aid is calculated as follows:

$$ENA_i = (\$3{,}790_i + CA_i) \times ENAR_i \times ENC_i \times .10 \times CF_i \qquad (6)$$

where

ENA_i = Extraordinary needs aid for district i
CA_i = Ceiling adjustment based on approved operating expenditure for district i
$ENAR_i$ = Extraordinary needs aid ratio for district i
ENC_i = Extraordinary needs count for district i
CF_i = Concentration factor for district i

The extraordinary needs ratio is established by subtracting 40% of the school district's income wealth ratio from 1.00, with the maximum aid ratio set at 1.00. The extraordinary needs count is

the sum of at-risk factors described above. The concentration factor is calculated as follows:

$$CF_i = 1 + \frac{(ENC_i/PYE_i) - .786}{.786} \qquad (7)$$

where

CF_i = Concentration factor for district i
ENC_i = Extraordinary needs count for district i
PYE_i = Previous year's enrollment for district i

For 1994-95, the state projects to spend $378 million on Extraordinary Needs aid, an increase of approximately 2.5% over the 1993-94 school year.

Tax Equalization Aid. Tax Equalization aid compensates districts spending beyond the state's operating aid ceiling, and with Tax Effort aid (see description below) replaced High Tax aid. (See Appendix B for a description and calculation of High Tax aid.) The difference between per pupil approved operating expenditure and operating aid is compared to the product of a school district's wealth and .02250. Tax Equalization aid is the positive remainder, up to an operating aid ceiling of $8,000 per pupil.

Tax Effort Aid. Tax Effort aid, added to the basic aid formula in 1993-94, represents an attempt to reward districts that tax themselves at a high level in relationship to the income wealth of the district, utilizing adjusted gross income as the measure. School districts whose full value wealth ratio is less than two and whose tax levy is greater than three percent of their adjusted gross income are eligible to receive up to $680 per pupil.

Transition Adjustment Aid. Transition Adjustment aid, added to the basic aid formula in 1993-94, serves as a guarantee to all school districts for a package of basic and categorical aid and, along with Extraordinary Needs aid, replaced Supplemental Support aid. For 1994-95, school districts are guaranteed the sum of 1993-94 grants-in-aid: operating; extraordinary needs; tax equalization; tax effort; gifted and talented; hardware and technology; and educationally related supported services.[2]

Categorical Aid

The categorical aid programs available to public elementary and secondary school districts in New York number twenty for operating expenditures; three for capital outlay, bonds, and debt service; six limited to the five large city school districts; two for small city school districts; five for regional education districts (BOCES); and four for nonpublic elementary and secondary schools, for a total of 40 categorical aid programs. (Tables 2 through 7 summarize and compare categorical aid programs for the 1993-94 and 1994-95 school years.) This section will highlight the funding mechanisms under which categorical aid in the state of New York operates.

Categorical aid programs in New York target a wide variety of educational services, from transportation and construction to education of the homeless and incarcerated youth. In examining categorical aid, two important questions need to be asked: first

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[2]The last three aid programs: gifted and talented; hardware[computer] and technology; and educationally related support services are categorical aid programs.

is such aid equalized, and secondly is aid held harmless? While much attention has been given in education finance research to the equity of basic aid, categorical aid has for the most part escaped scrutiny. Yet categorical aid represents a significant part of school funding, and if each categorical program is not equalized, serious inequities may develop among school districts. Secondly if categorical aid is held harmless, i.e., school districts receive the same amount of categorical aid as the previous year even if they are providing services to fewer students, interdistrict inequities are created that are exacerbated over time.

In New York while only 11 of the 40 categorical programs are equalized, the two largest, transportation and public excess cost(special education) are. Public Excess Cost aid represents over one billion dollars annually whereas the allocation for transportation is projected at $612 million for 1994-95. However, Public Excess Cost aid is held harmless while transportation is not. The next two largest categorical aid programs, building aid at $467 million and regional education service district(BOCES) aid at $264, are non-equalized and held harmless. All in all, nine of the 40 categorical aid programs are held harmless.

Categorical moneys are distributed either through a formula allocation or a reimbursement process with the majority of aid programs using some type of formulas. These range from quite simple ones, e.g., aid to gifted and talented programs is the product of $196 and three percent of attendance, to quite complex, such as aid to students with disabilities where formula factors

include school district wealth; prescribed state share; per pupil aid ceiling; and save harmless provisions. Nonpublic schools receive categorical assistance through direct state aid for students with disabilities whereas they receive assistance from the "loan" of textbooks, library materials, and computer software purchased from categorical aid given for that purpose to local school districts.

Equity and Efficiency of the 'Reformed' Funding System

Changes made in the 1993-94 finance formulas and carried over to 1994-95 represent attempts by the state to increase the "progressivity" of the funding system. Progressivity generally refers to the notion of tax systems and vertical equity where those who are more able fiscally pay a larger portion of their wealth in taxes(Musgrave & Musgrave, 1989, 228). Within New York's funding system, one would assume that a similar definition of progressivity applies on the revenue side and is extrapolated to the expenditure side; that is, those school districts with the lowest levels of wealth, defined by the state as personal income and real property, upon which to draw receive the most state aid. Efficiency, not an articulated goal of the state funding system, is here defined in terms of administrative efficiency, i.e., the ease of administration of the funding system.

At first glance New York's education funding system appears equitable, given the inclusion of both property and income wealth in the calculation of basic aid and, to a lesser extent, categorical aid. In addition basic aid is founded upon a

percentage equalizing formula. In 1993-94, Extraordinary Needs aid was added to the basic formula to assist school districts with at-risk students. In the same year Tax Effort and Tax Equalization aid were instituted to reward districts proportionally for greater tax effort. Growth aid has continued to assist school districts experiencing significant increases in enrollment.

Numerous categorical programs address the special needs of students: developmental disabilities; limited English proficiency; gifted and talented; homeless; incarcerated students; and attendance improvement/dropout prevention for at-risk students. Several categorical aid programs are targeted to urban school districts with the notion of assisting students in poverty to succeed. These exist in addition to more traditional categorical aid programs, such as, transportation, textbooks, and construction. Finally some categorical aid programs encourage school districts to keep teachers current on teaching strategies and curriculum as well as to assist in the purchase of technology, computer hardware and software.

However closer scrutiny reveals serious defects in the infrastructure of the school finance system. For instance the calculation of property wealth, for purposes of equalization in all relevant formulas for basic and categorical aid, is capped at 117% of the state average, allowing those school districts with above average property wealth to receive a disproportionate amount of state aid. Secondly basic aid is premised upon a flat grant of $400 per pupil which all districts receive regardless of wealth.

Although this amount may appear small in comparison to the $3,761 base, it represents a significant pool of dollars that might be allocated to less affluent districts. Third, basic aid and several of the categorical aid programs, including the single largest--special education at over one billion dollars, contain hold harmless provisions that guarantee a school district it will continue to receive the same amount of aid from year to year even though it may qualify for less under the formula.

With regard to administrative efficiency, the reformed school finance system remains extremely complex, with basic aid containing seven components, and categorical aid divided into forty programs. Rather than streamlining the funding program, reform made a complex system even more complex. While certainly there are trade-offs between ease and simplicity of administration and the desire for greater progressivity in the funding system, the fact remains that it is nearly impossible to assess the equity and efficiency of such a complex system. Also, in the desire to address every special need the number of categorical aid programs continues to multiply necessitating division of existing funds over a larger number of programs. This splintering of categorical aid into minuscule programs that can fund at most, for example, three dollars per student for computer software, raises a significant policy question; that is, in trying to meet every special need is there a danger of meeting no one's?

Conclusions and Policy Recommendations

The citizens of New York have demonstrated over time their commitment to public education through their willingness to tax and spend at relatively high levels on elementary and secondary schools(Crampton, 1992;1993). New York has maintained for several years one of the highest per pupil expenditure rates in the nation (Rankings of the States 1993, 1993, 60). At the same time overall tax effort is high relative to other states(Significant Features of Fiscal Federalism, 1993, 196;200). Yet the state of New York encompasses a diverse population of students whose needs must be factored into any funding formula.

However, the reformed finance systems has created more problems with regard to equity and efficiency for students and taxpayers than it has solved. First, an undeniably complex funding system has been made more complex to administer and assess. Secondly, the reformed system keeps intact some of the most serious defects of the former funding system. Specifically, property wealth remains capped for equalization purposes at 117% of the state average while many save harmless provisions have been maintained. Basic aid still contains a flat grant for all school districts. Thirdly there remains an overabundance of categorical aid programs, forty in all, many of which are funded so meagerly as to be ineffective.

If the funding system is to achieve its goal of progressivity, property wealth must be uncapped, and save harmless provisions and the flat grant eliminated. The entirety of categorical aid needs

to be streamlined, reducing the overall number of categorical programs while equalizing the remaining ones. In conclusion, the concept of reform denotes sweeping change in order to effect significant improvement; New York's school funding system still awaits reform.

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Table 1

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1992/93-1994/95 School Years:[3]

Basic Aid

	1992-1993 School Year (Actual)			1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ Per Pupil[4]	Equalized	Save Harmless	$ Per Pupil	Equalized	Save Harmless	$ Per Pupil
Operating Aid	Yes	Yes	3,761	Yes	Yes	3,761	Yes	Yes	3,790
Flat grant[5]	No	--	360	No	--	400	No	--	400
Growth Aid	Yes	Yes		Yes	Yes		Yes	Yes	
Extraordinary Needs	--	--	---	Yes	No	3,761	Yes	Yes	3,790
Transition Adjustment	--	--	---	Yes	Yes		Yes	Yes	
Tax Equalization	--	--	---	Yes	No		Yes	No	
Tax Effort	--	--	---	Yes	No	680	Yes	No	680

[3]Compiled from the following sources: The University of the State of New York. (1992). State formula aids and entitlements for elementary and secondary education in New York State, 1992-1993. Albany, NY: State Education Department; The University of the State of New York. (1993). Description of 1993-94 New York State school aid programs. Albany, NY: Education Unit, New York State Division of the Budget; New York State Division of The Budget. (1994). Description of 1994-95 New York state executive budget recommendations for elementary and secondary education. Albany, New York: Education Unit.

[4]Where aid is calculated on a formula other than per pupil, this line is left blank.

[5] Note that in the context of New York state school finance, aid is usually distinguished from a grant in that aid is an entitlement whereas grants are generally awarded through some sort of application process. However, the flat grant is an entitlement.

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Table 2

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1993/94-1994/95 School Years:[6]

Categorical Aid

	1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ in Millions	Equalized	Save Harmless	$ in Millions
Computer Software	No	No	9.40	No	No	9.52
Education of Homeless Children	No	No	4.00	No	No	4.00
Education of Office of Mental Health and Office of Mental Retardation and Developmental Disabilities Students	No	No	40.25	No	No	40.25
Educationally Related Support Services Aid	Yes	No	19.25	Yes	No	18.73
Employment Preparation	Yes	No	86.00	Yes	No	86.00
Excellence in Teaching	Yes	Yes	52.36	Yes	Yes	52.80
Fort Drum Area School Districts[7]	No	No	2.63	No	No	2.63
Gifted and Talented	No	No	13.37	No	No	14.08
Incarcerated Youth	No	No	4.00	No	No	4.00

[6]Compiled from the following sources: The University of the State of New York. (1993). Description of 1993-94 New York State school aid programs. Albany, NY: Education Unit, New York State Division of the Budget; New York State Division of The Budget. (1994). Description of 1994-95 New York state executive budget recommendations for elementary and secondary education. Albany, New York: Education Unit.

[7]This aid is given to school districts in the Fort Drum area in response in to increasing student enrollments related to the Fort Drum military reservation.

Table 2 (continued)

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1993/94-1994/95 School Years:

Categorical Aid

	1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ in Millions	Equalized	Save Harmless	$ in Millions
Instructional Computer Hardware and Technology Equipment	No	Yes	11.57	No	Yes	10.16
Library Materials	No	No	6.27	No	No	6.34
Limited English Proficiency	Yes	No	49.50	Yes	No	50.87
Magnet and Demonstration Schools	No	No	85.65	No	No	101.65
New Compact for Learning Grants[8]	No	No	12.00	No	No	12.00
Public Excess Cost Aid[9]	Yes	Yes	1,129.81	Yes	Yes	1,159.99
Reorganization Aid (Operating)	No	No	20.44	No	No	19.20
Reorganization Study Grants	No	No	1.25	No	No	1.25
Textbook Aid	No	No	95.12	No	No	96.83
Transportation Aid	Yes	No	649.19	Yes	No	611.73
Urban-Suburban Transfer	No	No	1.13	No	No	1.13

[8]This program is divided into four categories of grants, as follows with funding levels in millions for both years in parentheses: Staff Development($4.00); Curriculum and Assessment($1.00); Workforce Preparation($3.75); Learning Technology($3.00); and Comptroller Audits($0.25).

[9]Public Excess Cost Aid provides assistance to students with disabilities.

Table 3

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1993/94-1994/95 School Years:[10]

Capital Outlay, Bonds, and Debt Services Aid

	1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ in Millions	Equalized	Save Harmless	$ in Millions
Building Aid	No	Yes	461.42	No	Yes	464.68
Building Bond Anticipation Notes/ New Debt Service	No	No	70.00	No	No	70.00
Reorganization Aid (building)[11]	No	No		No	No	

[10]Compiled from the following sources: The University of the State of New York. (1993). Description of 1993-94 New York State school aid programs. Albany, NY: Education Unit, New York State Division of the Budget; New York State Division of The Budget. (1994). Description of 1994-95 New York state executive budget recommendations for elementary and secondary education. Albany, New York: Education Unit.

[11]Reorganization aid for capital outlay is not separated budgetarily from Reorganization Aid for operating expenses. (See Table 2.) Together, $20.44 million was budgeted in 1993-1994 and $19.20 million for 1994-1995.

Table 4

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1993/94-1994/95 School Years:[12]

Aid to the Five Large City School Districts

	1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ in Millions	Equalized	Save Harmless	$ in Millions
Comprehensive Instructional Management Systems	No	No	2.75	No	No	2.75
Excellence in Teaching[13]				Yes	Yes	16.63
Improving Pupil Performance Incentive Grants	No	No	52.10	No	No	62.10
Reading Aid	No	No	49.95	No	No	59.95
Special Services Aid: Occupational;	Yes	No	92.62	Yes	No	82.28
Computer Administration	Yes	No	32.89	Yes	No	30.92
Student Information Systems Aid	No	No	9.00	No	No	9.00

[12]Compiled from the following sources: The University of the State of New York. (1993). Description of 1993-94 New York State school aid programs. Albany, NY: Education Unit, New York State Division of the Budget; New York State Division of The Budget. (1994). Description of 1994-95 New York state executive budget recommendations for elementary and secondary education. Albany, New York: Education Unit.

[13]This represents $16.63 in addition to the amount received under the regular categorical aid program for Excellence in Teaching. (See Table 2.)

Table 5

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1993/94-1994/95 School Years:[14]

Aid to Small City School Districts

	1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ in Millions	Equalized	Save Harmless	$ in Millions
Attention Improvement/ Dropout Prevention Grants	No	No	.92	No	No	.92
Small City School District Aid	No	Yes	90.53	No	Yes	86.41

[14]Compiled from the following sources: The University of the State of New York. (1993). Description of 1993-94 New York State school aid programs. Albany, NY: Education Unit, New York State Division of the Budget; New York State Division of The Budget. (1994). Description of 1994-95 New York state executive budget recommendations for elementary and secondary education. Albany, New York: Education Unit.

Table 6

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1993/94-1994/95 School Years:[15]

Aid to Boards of Cooperative Educational Services (BOCES)

	1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ in Millions	Equalized	Save Harmless	$ in Millions
Attendance Improvement/ Dropout Prevention Grants[16]	No	No		No	No	
Bilingual Aid	No	No	10.95	No	No	10.95
BOCES Aid	No	Yes	262.44	No	Yes	263.52
Comprehensive Instructional Management Systems Grants	No	No	2.75	No	No	2.75
Excellence in Teaching	Yes	Yes	2.76	Yes	Yes	2.81

[15]Compiled from the following sources: The University of the State of New York. (1993). Description of 1993-94 New York State school aid programs. Albany, NY: Education Unit, New York State Division of the Budget; New York State Division of The Budget. (1994). Description of 1994-95 New York state executive budget recommendations for elementary and secondary education. Albany, New York: Education Unit.

[16]Funding for Attendance Improvement/Dropout Preventions Grants is not separated budgetarily from aid to small city school districts. Combined funding for 1993-1994 was $.92 million with same amount projected for 1994-1995.

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Table 7

A Comparison of State Aid Programs for Public Elementary and Secondary School Districts in New York State for the 1993-1995 School Years:[17]

Aid to Nonpublic Elementary and Secondary Schools

	1993-1994 School Year (Actual)			1994-1995 School Year (Proposed)		
	Equalized	Save Harmless	$ in Millions	Equalized	Save Harmless	$ in Millions
Computer Software Aid	No	No	Loan[18]	No	No	Loan
Library Materials	No	Yes	Loan	No	Yes	Loan
Private Excess Cost[19]	Yes	No	75.60	Yes	No	93.55
Textbook Aid	No	No	Loan	No	No	Loan

[17]Compiled from the following sources: The University of the State of New York. (1993). Description of 1993-94 New York State school aid programs. Albany, NY: Education Unit, New York State Division of the Budget; New York State Division of The Budget. (1994). Description of 1994-95 New York state executive budget recommendations for elementary and secondary education. Albany, New York: Education Unit.

[18]Loaning of materials from public schools to nonpublic ones at no charge constitutes indirect aid.

[19]Private excess cost aid provides support for students with disabilities in nonpublic schools.

APPENDIX A

Supplemental Support Aid for the 1992-1993 School Year[20]

Supplemental Support Aid acts as an add-on to operating aid and is an entitlement for all districts. It is computed as follows:

$$SSA_i = (\$64 + ((AA_i)(SSAR_i)))(TAPU_i)$$

where

SSA_i = Supplemental support aid in school district i
AA_i = Aidable amount in school district i
$SSAR_i$ = Supplemental support aid ratio in school district i
$TAPU_i$ = Total aidable pupil units in school district i

The aidable amount is the product of .035 and per pupil approved operating expenditures. The supplemental support aid ratio is calculated as follows:

$$SSAR_i = 1.000 - .49CWR_i$$

Supplemental support aid, like operating aid, has both a floor and a ceiling. All school districts are guaranteed a minimum per pupil of $174.75 with a cap of $226.50. In addition, supplemental support aid has a save harmless provision where a school district may select the greater of calculated aid from 1992-1993 or 1991-1992. In 1992-1993, $451.8 million was distributed in supplemental support.

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[20]Compiled from: The University of the State of New York. (1992). State formula aids and entitlements for elementary and secondary education in New York State, 1992-1993. Albany, NY: State Education Department.

APPENDIX B

High Tax Aid for the 1992-1993 School Year[21]

High Tax aid rewards school districts that choose to tax themselves above the statewide average and is computed with a three tiered formula. The basic formula is as follows:

$$HTA_i = (BDA)(HTF_i)(TAPU_i)$$

where

HTA_i = High Tax aid for school district i
BDA = Base Dollar Amount
HTF_i = High Tax Factor in school district i
$TAPU_i$ = Total aidable pupil units in school district i

The base dollar amount and high tax factor vary by tier. To qualify for Tier I, a school district must have a wealth adjusted tax rate greater than 24.03 mills ($WATR_i > 24.03$) where the wealth adjusted tax rate is calculated as follows:

$$WATR_i = (UTR_i) \quad \frac{(\$234,700)}{FV_i/TWPU_i}$$

where

$WATR_i$ = Wealth adjusted tax rate for school district i
UTR_i = Unadjusted tax rate for school district i
\$234,700 = state average assessed valuation per TWPU
$FV_i/TWPU_i$ = assessed valuation per TWPU for school district i

The Tier I formula for High Tax aid is computed as follows:

$$HTA1_i = (\$371.75)(HTF1_i)(TAPU_i)$$

where

$HTA1_i$ = High Tax aid for Tier I for school district i
$HTF1_i$ = High Tax factor for Tier I for school district i
\$371.75 = Base dollar amount for Tier I
$TAPU_i$ = Total aidable pupil units for school district i

and where

$$HTF1_i = (WATR_i - 24)/92.9$$

The Tier I high tax factor is derived by subtracting 24 mills from the school district's wealth adjusted tax rate and dividing by 92.9 mills.

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[21]Compiled from: The University of the State of New York. (1992). State formula aids and entitlements for elementary and secondary education in New York State, 1992-1993. Albany, NY: State Education Department.

School districts with a wealth adjusted tax rate of greater than 25.5 mills ($WATR_i$>25.5) are placed in Tier II where High Tax aid(HTA2) is calculated as follows:

$$HTA2_i = (\$541.20)(HTF2_i)(AR_i)(TAPU_i)$$

The base dollar amount(BDA) rises to $541.20 at Tier II. Note also the addition to the formula of an aid ratio(AR) that is derived by subtracting 1.67 from the school district's pupil wealth ratio and subtracting the remainder from 1.000. The Tier II high tax factor(HTF2) is computed by subtracting 25.5 mills from the school district's unadjusted tax rate(UTR_i) and dividing by 8 mills, as follows:

$$HTF2_i = (UTR_i - 25.5)/8$$

School districts that have a wealth adjusted tax rate larger than 43.02 mills(WATR>43.02) are placed at Tier III, and their High Tax aid(HTA3) is calculated below:

$$HTA3_i = (\$505.30)(HTF3_i)(TAPU_i)$$

At Tier III, the base dollar amount is set at $505.30, but an aid ratio is not utilized. The high tax factor(HTF3) is calculated by subtracting 43.0 mills from the school district's wealth adjusted tax rate($WATR_i$) and dividing by 73.9 mills, or as follows:

$$HTF3_i = (WATR_i - 43.0)/73.9$$

School districts are protected by a save harmless provision with regard to High Tax aid in that they receive the greater of the calculation for 1992-1993 or 1991-1992. High Tax aid accounted for $235.3 million in 1992-1993.